

Name:	
Enrolment No:	

UNIVERSITY OF PETROLEUM AND ENERGY STUDIES
End Semester Examination, December 2019

Course: Fundamental of Airline Operations
Program: MBA AVM
Course Code: MDSA 804

Semester: I
Time: 03 hrs.
Max. Marks: 100

Instructions:

S. No.		Marks	CO
Q 1	Answer All the question		
a.	What is the difference between connection Flight and Via Flights?	2	CO1
b.	Define SLA ?	2	CO2
c	What is Ancillary Revenue and Mention few Ancillary revenue generation source?	2	CO2
d	What is FDTL, and which its important for the Airline Operation?	2	CO4
e	Define what is Airline Capacity with Proper Example?	2	CO4
f	What is MEL?	2	CO3
g	Full Form of OEM and LLP?	2	CO2
h	Mention four Structural components of the Aircraft?	2	CO1
I	Full Form of RAMP?	2	CO3
j	What is Hub and Spoke Operations?	2	CO4

SECTION B

Q2	Answer all the Questions with an Example:		
a	Explain in detail the commercial department of the Airlines?	5	CO3
b	What is difference between Load Factor and Seat Factor?	5	CO3
c	What is the difference between Legacy Airline and Low cost Airline?	5	CO2
d	Explain the concept of Inventory Management and Revenue Management in an airline operation with an Example?	5	CO1

SECTION-C

Q 3	Answer any two Question		
a	What is the long-term solution to the lack of profitability in the airline industry? Is some	10	CO3

	fundamental consolidation and industry restructuring needed? Is there a genuine problem of uneven returns in the value chain? Do aircraft manufacturers encourage excess capacity through their marketing policies		
b	How can the benefits of the low-cost/no-frills airline model be extended to emerging/developing countries?	10	CO3
c	Why is Airport business is considered as non financially- sustainable Industry, elaborate those challenges with relevant illustration of examples?	10	CO2

SECTION-D

Q	Study the Case study and Answer all these Questions:		
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	<p>The airline industry is characterized by the paradox of continuous growth in demand for its services and notoriously low profit margins. Ever since the 1970s, the industry has epitomized a cyclical pattern of profitability, where a couple of profitable years are followed by a period of crisis. This cyclical pattern was evident throughout the 80s and the 90s, and in the early 2000s the airline industry was once again at the brink of another downturn. This time, however, the successive external shocks that followed “turned crisis into catastrophe” (Doganis, 2010, p. 68). The terrorist attacks on September 11th 2001, the invasion of Iraq in 2003, and the escalation of fuel prices in 2004, are all examples of incidents that severely affected the airline industry, demonstrating its vulnerability in relation to external matters (Doganis, 2010). The recurrence of such effects, combined with the internal cost challenges that further add to the complexity of the industry, have resulted in a number of airlines struggling for their survival, even though the industry as a whole has been profitable for the past three years. Major airline costs such as labor, fuel, and aircraft do not vary significantly with the number of passengers, and as a result of such fixed costs, minor shifts in the number of passengers or the general price level can have major effects on the economics of an airline. Furthermore, since the costs of carrying extra passengers are negligible given otherwise unsold seats, the pricing system is intricate and ticket prices volatile. Further contributing to the complexity is the progressive deregulation undoubtedly influencing the industry over the last decades. Accordingly, the airline industry is viewed as one of the worlds most competitive industries. Historically, the industry has been subject to strict regulations. In the period between 1919 and 1949, an international highly regulatory framework evolved as a response to the technological, economic and political developments within air transport. This framework was left largely unchanged until the late 1970s, constraining both innovation and change within the industry. However, a review of United States international aviation policy in 1979 paved the way for two decades of gradual deregulation. This liberalization accelerated in the mid-1980s, as several important European countries, and eventually the European Union, adopted it. The liberalization culminated in 2007 through the “Open Skies” agreement between the European Union and the US. Despite this extensive deregulation, airlines still have to operate within bilateral constraints on a number of routes, for instance within African and Asian markets</p> <p>The growth within these markets is predicted to have major implications for the future development of the industry. A number of existing carriers will be subject to increased competition, especially on long-haul routes, and could in the long run see themselves</p>		
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bypassed by rapidly growing airlines from Asia. Norwegian CEO Bjørn Kjos has highlighted the threat posed by these new-entrants, pointing to their access to inexpensive labor and their new and fuel-efficient fleets as a solid basis for future competitiveness. He further predicted that the economic growth in Asia will result in a change in the travel pattern of passengers, shifting towards a greater proportion of passengers travelling from east to west (DN, 2013a). On the European short-haul market, both existing and new carriers will influence the competitive landscape. Michael O'Leary, CEO of Ryanair, has predicted that large airlines with old fleets and high labor costs will struggle to make a profit on short-haul routes, and that the current problems of carriers such as Alitalia, Iberia and SAS will further escalate in the future (DN, 2013b). As a result, it appears to be difficult both to prosper and survive in the industry, historically and contemporary, as well as in the time to come.

In the airline industry, a distinction is made between two different business models, namely full service network carriers (FSNCs) and low-cost carriers (LCCs). The carriers that have existed since prior to the deregulation are essentially FSNCs. These carriers operate according to a hub-and-spoke route network, where passengers are flown in from various cities, referred to as spokes, to a main hub, before embarking on a connecting flight. Large FSNCs such as Lufthansa and British Airways have been operating for over half a century, establishing main hubs in geographically strategic cities with a broad variety of possible route connections, offering both short- and long-haul flights. Throughout the last decades, this traditional hub-and-spoke network model has faced increased competition on short-haul routes from LCCs, such as Ryanair and easyJet, operating point-to-point direct flights between popular destinations. These carriers offer price levels significantly below their FSNC counterparts by minimizing all possible costs, thus owing to the label of low-cost no-frills carriers. The competition between these two different business models has received considerable attention in the last decades, and numerous questions have been raised regarding the long-term sustainability of each model. FSNCs have gradually been forced to change pricing strategies on short-haul flights to stay competitive. For these carriers, the main question moving on will be if and how to compete on these routes in a profitable way. One possibility is to reduce their existing cost disadvantage through the implementation of cost cutting programs. Several initiatives have already been attempted by various airlines, some of them fairly successfully. Evidence has shown that the unit cost gap has been reduced in recent years (Tsoukalas, Belobaba, & Swelbar, 2008). However, there are several differences in operational costs where network carriers will have difficulties matching the efficiency of the low-cost model due to underlying structural differences. Another possibility, which has developed gradually and with varying degree of success in the last years, is FSNCs launching their own low-cost subsidiaries, or transferring parts of their operations to existing LCCs. An example of the latter is Lufthansa, which recently expanded the transmission of operations to Germanwings in order to counter LCCs and meet the competition head-on within the short-haul market (Gerlach, 2012). With regards to the LCC model, one of the main questions concerns whether it is possible to sustain the low cost advantage over time. Although many LCCs have failed to survive, the experience of Southwest in the US and that of Ryanair since 1991 suggests that the cost level can be maintained in the long term, proving the low-cost model's robustness. Accordingly, it is reasonable to expect that the larger and more successful LCCs will continue to undermine the economics of many of network carrier's short- to medium-haul operations by capturing a growing market share.

	Due to the challenges outlined, both FSNCs and LCCs have to focus on improving their competitiveness in order to survive in the industry's highly competitive environment. Accordingly, a comprehensive understanding of the factors that influence both models' competitiveness is of the utmost importance. Clearly, there are external factors that can affect the general competitiveness of an airline regardless of business model. Global economic development, volatile oil prices and uncontrollable weather are just some of the concerns airline management must keep in mind on a daily basis. However, as these factors are outside the immediate control of airline managers, the focus of this thesis will be directed towards the internal concerns and determinants of airline competitiveness		
a	Struggling airlines in developing countries face difficulties in financing the Modernization and capacity of their fleets given the actual or perceived risk of asset recovery. For instance, foreign-registered aircraft have a higher collateral value. What are your view on the given statement?	10	C03
b	Recently airline have come up with Hybrid hub and Spoke business Model, what are is the importance of such model, and mention few comparison statements between Traditional Hub and Spoke and Hybrid Hub and spoke?	5	CO2
c	Critically Analyze the role of regulatory body and how the policies have helped the LCC Carrier?	5	C04
d	How do governments exercise their responsibilities in a commercialized environment where airports and air navigation services changed their ownership and control structures as well as management approaches?	5	C04
e	The challenges for the LCCs going forward will be to continue to expand while simultaneously maintaining their cost efficiency, Suggest some Strategic policy how the airline can Prepare for these challenges?	5	CO3